Message from the President

Representative Director and President
President and Executive Officer

Masaki Uchikura

To Stakeholders

This year marks the 75th year since the founding of Organo Corporation in 1946. The founder, Masatake Maruyama, was involved in research on securing access to drinking water using ion exchange resins while an instructor at a military medical school. This led to the development of a heat-free water distillation system and the founding of Organo. Organo's name derives from "organic zeolite," which is the scientific term for the ion exchange resin that Mr. Maruyama regarded as having potential.

Since our founding, we have been committed to "creating value from water" and pursuing separation and purification technologies. During the company's initial years, the technology to obtain distilled water, or pure water, without heating attracted attention during the extreme post-war energy shortage. Japan subsequently entered an era of rapid economic growth, which gave rise to the need for larger equipment and technologies using substantial volumes of water, such as continuous treatment. Organo then went on to address needs that were becoming increasingly diverse over time. Such needs encompassed technologies for pollution prevention, recycling water and recovering valuable resources from wastewater, advanced refining in cutting-edge domains such as semiconductors that push the envelope when it comes to water purity, development of business overseas, and service solutions.

The 2030 Agenda for Sustainable Development adopted by the United Nations lists 17 Sustainable Development Goals (SDGs) and 169 targets. Organo's lines of business directly involve Goal 6, that of ensuring clean water and sanitation. As an essential element when it comes to maintaining life, water intricately relates to securing food, maintaining onshore and marine ecosystems, developing urban areas and industries, and achieving advancements in the fields of health and medicine. Therefore, Organo believes that water is relevant to all of the SDGs as well as other social targets.

Having been integrally involved with water ever since our founding, we are proud of the progress we have achieved with respect to our business centered on the technologies we have cultivated through water treatment.

We make the most of the value and functionality of water. This involves striking a balance between affluent lifestyles and preservation of water environments. This has been, and always will be, Organo's mission.

Medium- to Long-term Business Trajectory

The COVID-19 pandemic has weighed on economic activity and market structures at the international level, while also greatly affecting people in terms of their behavior and mentality. The future direction of Organo's business needs to be in line with changes that occur as the world learns to live with the novel coronavirus. Meanwhile, our approach to taking on a social role particularly when it comes to climate change and the SDGs is a matter of great importance given our involvement with water.

In the electronics industry, Organo's key market, despite signs of robust performance particularly involving semiconductor demand, investment may stagnate amid persistently sluggish sales of automobiles and smartphones. However, from a medium- to long-term perspective, the role of semiconductors and electronic components will likely expand due to growth generated by new businesses that rely on 5G and other new communications technologies, and growth achieved in the medical, education, entertainment and other realms. In addition to the water treatment technologies that have been our focus, advanced separation and refinement of chemicals and solvents used in semiconductor manufacture are also attracting attention in line with the continued miniaturization and increased performance of chips. We view this market as a major business opportunity.

We are also making fresh progress in developing separation and purification technologies with our sights set on the lithium-ion battery market, which is poised to grow amid the increasing proliferation of electric vehicles. And we are also focused on the biopharmaceutical field which has been drawing interest with respect to vaccines and remedies to combat COVID-19. As such, a major trajectory for us will involve striking a balance across pursuits that include addressing climate change through expansion into these fields of business, contributing to development of energy conservation and life science technologies, and achieving growth.

In the general industrial field and the Performance Products Business Unit, overall sluggish consumption worldwide could weigh on production and investment levels, yet growth seems likely in some fields including those that involve water treatment facilities for pharmaceutical manufacturing, water treatment equipment for medical and testing organizations, and disinfectants for sterilization and deodorization. Meanwhile, the electric power field is transitioning worldwide from nuclear power, oil and coal-fired power, and other such sources to renewable energy sources such as wind and solar power. Water supply and sewage is also not expected to grow significantly. As these fields of business had been poised to serve as stable sources of revenue, it has become necessary to overhaul the business structure and lineup to align with changes in the market environment.

Concerning our delivery and production structure, while there are still many tasks that require on-site work, such as facility construction and the operational management and maintenance of delivered facilities, the need for remote monitoring and unattended operation is growing. Moreover, amid the COVID-19 pandemic there have been instances where sales activities and work schedules have

Utilizing information and communications technologies (ICT)

Tablet computers have been introduced at customers' factories in order to streamline on-site tasks that involve construction of water treatment facilities and equipment diagnosis. This enables a reduction in the time required to perform work as a result of instantaneously sharing drawings, technical information, and system status.

Introduction of smart glasses

We have introduced smart glasses for use in factory construction and equipment diagnosis. The smart glasses enable swift on-site support by allowing users to share on-site information even from remote locations. We are working to expand the range of smart glass applications to include those that involve sharing information with customers and their use overseas.

Message From the President

been affected by movement restrictions being imposed on engineers from Japan, particularly when it comes to overseas projects. Amid those circumstances, we have made progress in development in areas that include systems for remote monitoring of devices that use sensors, IoT, and other such technologies, remote diagnosis for equipment using smart glasses, and instructional skills. Going forward, further effort will be required, particularly in terms of expanding the information infrastructure based on remote communications, and the integration of digital technologies with service solutions such as those that involve equipment maintenance and inspection.

Progress Achieved Under the Medium-term Management Plan

Evaluation of Previous Fiscal Year Financial Results

The fiscal year ended March 31, 2020 was a very strong one, with record-high sales for the second consecutive fiscal year and the highest profits since 2006. This performance was underpinned by continued active investment in the electronics field, particularly in cutting-edge technologies in the logic field in Taiwan and large-scale domestic investment in image sensors and other products. On the profit side, Organo's high profit margins were partially attributable to substantial cost reductions in the previous fiscal year with respect to major projects in Japan and Taiwan. They are also attributable to having accumulated underlying profits generated due to increased Performance Products and Service Solutions sales, businesses which have been priorities for the company.

Medium-term Management Plan

Given that Organo relies on the electronics industry market for no less than 50% of its net sales, its financial results are substantially affected by trends particularly with respect to large-scale capital investment related to semiconductors. As such, the company prepares its Medium-term Management Plan on a rolling three-year basis every year. The latest Medium-term Management Plan has been designed to focus on pivotal development of the service solutions, performance products, and new businesses where the potential exists for consistent financial results, after having established the scale of investment in the highly volatile electronics industry.

Key Business Fields

Electronics Industry Expansion

In the electronics field, we have been addressing sophisticated customer needs as semiconductor chip miniaturization proceeds, while also enhancing our marketing structure based on a roadmap for technological development of advanced semiconductors. As such, we will continue to develop unrivaled cutting-edge separation and purification technologies, such as the further purification of ultrapure water, the purification of electronic components and solvents, and the construction of high-recovery water treatment systems to ensure effective use of water resources.

Enhancing Service Solutions

In the Service Solutions field, we will work to enhance customer value. This will involve establishing a data center for collecting and storing facility operation data, as well as creating new service solutions that combine plants and performance products with sensors and IoT technologies, particularly by enhancing proposal-based service solutions based on data that has been collected and analyzed through the use of ICT and AI technologies. We will also enhance our service structure in China and elsewhere overseas amid ongoing increases in semiconductor production.

Creating New Businesses

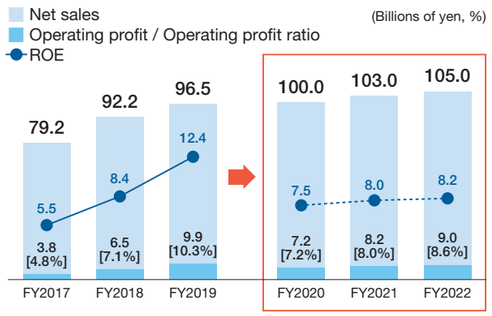
To create new businesses, we aim to establish new revenue pillars by deploying our advanced separation and purification technologies in markets including lithium-ion batteries, biopharmaceuticals, and cutting-edge semiconductors. Until last year, we conducted joint trials with customers and external research institutions with the aim of commercialization, and we will now work to achieve early commercial success under our new Medium-term Management Plan. This will entail the allocation of management resources such as R&D expenses and development personnel.

Further Initiatives

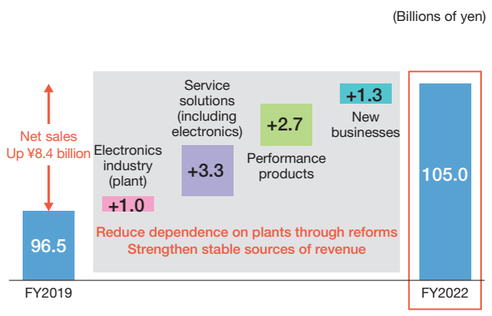
In order to fortify our engineering structure internationally, we plan to establish Global Engineering Center (GEC) in Asia. The aim is to increase production capacity and profitability by streamlining engineering operations and reducing costs.

We will continue to promote business reforms such as paperless initiatives and the use of ICT technology to improve productivity and work styles, which have long been goals of the company.

Medium-term Management Plan



Medium-term Sales Targets



Achieving Sustainable Development

As a company whose core business is water treatment, Organo believes that its desired role is to contribute to sound economic development that effectively uses water without harming the environment. This loop should be expanded beyond Japan, especially to regions where water resources are scarce and where environmental conservation is essential to rapid economic development. Specifically, we have been engaged in the development of Eco-Crysta, which collects and re-uses fluorine and other valuable resources from factory wastewater discharge, the OFAS Series for achieving efficient wastewater recovery using the membrane bioreactor (MBR) method, and water heat utilization systems that use heat pump technology to efficiently recover and use water heat.

Moreover, we are promoting initiatives that reduce waste and promote energy conservation at our offices and construction sites in various regions, diversity initiatives which involve recruiting and training employees that bring diverse personalities and backgrounds, and the promotion of CSR across the supply chain which involves working with suppliers to achieve SDG objectives.

Value Creation Process

While keeping the Water Treatment Engineering Business Unit at the core, Organo will further expand its role by leveraging its separation and purification, analysis, and manufacturing technologies. It will also expand the scope and regions of its businesses, including those beyond water, and constantly provide products and services that promote the creation of value and which resolve the challenges that confront industry and society.

[Management Philosophy]

Organo serves as a valuable partner company by leveraging its advanced technologies cultivated through long experience with water treatment, by contributing to the industries that create the future, and by playing a key role in the development of societal infrastructure.

Social issues

Global sustainable development and growth

- Responding to climate change
- Declining populations in developed countries
- Advancements in technology

Development and growth of emerging and developing countries

- Deepening of globalization
- Increasing populations and urbanization in emerging countries

Advancement and development of medical and health technologies

- Deepening of advanced medical technologies
- Development of medical structures in emerging countries
- Infection prevention measures

Management resources and proprietary strengths

Financial foundation

[Equity] ¥60,717 million
[Total shareholders' equity ratio] 59.9%

Production technology capabilities

[Production bases]
- Iwaki Factory, Tsukuba Factory
- Organo Food Tech Corporation (Food Products Business Unit)
- HOSTEC (Performance Products Business Unit)

Network

[Number of employees] 2,249
[Domestic and overseas sites]
- Domestic: 59 (Organo and Organo Plant Service Corporation)
- Overseas: 14 (eight countries)

R&D

[R&D expenses] ¥2,178 million
[Number of R&D personnel] 164
[Number of patents and utility models] 727

Proprietary strengths

- Advanced separation and purification technologies
- Comprehensive water treatment engineering
- Extensive experience in industry and daily life

Business processes and growth opportunities

Water Treatment Engineering Business Unit | Performance Products Business Unit

Growth opportunities

- Arrival of the advanced information society
- Development of energy-saving and life science technologies
- New developments in globalization

Corporate governance, the foundation of business

Value provided

Social value

- Providing water required in industry and daily life
- Developing technologies for reducing environmental impact (Energy-saving and recycling technologies)

Customer value

- Contributing to technological innovation (Electronics industry, life sciences and energy)
- Creating new added value (Providing services using ICT)

Contributing to a sustainable society — SUSTAINABLE DEVELOPMENT GOALS

Shareholder value

- ROE 8% or more
- Continuously increase shareholder returns

Employee value

- Fulfilling place to work; energetic company
- Archieve diversity

Message From the Director in Charge of R&D and Engineering

Managing Director and Executive Officer
President of R & D and Engineering

Haruki Myouga

Organo's Strategy for R&D and Engineering

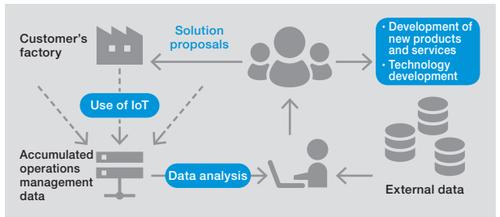
It is essential that we further evolve existing businesses and expand into new businesses when engaging in research and development involving our core separation and purification technologies. In the electronics industry, a key business field under our Medium-term Management Plan, the need for ultrapure water with virtually no impurities in the semiconductor manufacturing process is increasing as miniaturization proceeds. To address such needs, we must continuously develop next-generation ultrapure water systems that enable us to further expand our market share. We will roll out new technologies in the fields of wastewater treatment and recovery, which are poised to become increasingly crucial going forward. Moreover, in the Service Solutions business, we are also focusing on the development of water treatment equipment that incorporates IoT, AI, and other digital technologies for efficient facility operation, as well as autonomous control, predictive detection, and demand forecasting. Naturally, saving energy, reducing the consumption of resources, and curtailing greenhouse gas emissions are also important issues in product life cycles. In the area of engineering, within which planning and design of large-scale equipment are conducted, we are planning to establish Global Engineering Center (GEC) in fiscal year 2021. The objective is to build a structure that can respond to growing overseas demand and cost reductions.
When it comes to creating new businesses with the aim of expanding into new business areas, we are working to create value for industry and society through new business fields by promoting applications and practical uses for purification technology beyond water treatment. This includes the development of purification systems for biopharmaceuticals and lithium-ion batteries, and the development of advanced technologies for the purification of electronic materials.

Trends in Technology Development

Development of differentiated technologies that facilitate expansion of existing businesses

We are responding to the continuing miniaturization of semiconductors by promoting the development of technologies for achieving higher-quality water purification. At the same time, we are advancing the analysis technology for trace metals and particles at the 10nm level, which are essential in evaluating ultrapure water. Moreover, to achieve a recycling-oriented society, there is a growing need for water treatment, water recycling, and valuable resource recovery systems to reuse water and other valuable resources after the use of pure and ultrapure water in our factories. As such, one of our strategies is to improve functionality and performance to develop more sophisticated technologies for efficient reuse of valuable resources, thereby striking a balance between ensuring the highest quality water and protecting water environments. For instance, we have already commercialized our proprietary Eco-Crysta system, which involves technologies that facilitate a circular economy by recovering synthetic fluorite derived from wastewater-suspended fluorine and then reusing it as hydrofluoric acid raw material.
It makes sense for us to expand our capabilities in preventative maintenance by leveraging the latest digital technologies such as IoT and AI with the aims of optimizing maintenance and reducing labor. We also intend to develop data centers for collecting and analyzing facility operational data by drawing on digital technologies in order to increase our range of new services and solutions including those that involve remote surveillance and remote management.

Establishment of data center (image)



Creating New Businesses

Organo is accelerating the development of technologies required to create new businesses. As necessary, it will collaborate with external seeds through open innovation. The company has a track record over many years with separation and purification outside of water treatment, including the purification of raw materials for shochu – a distilled spirit – and sugar, products that are familiar to people in their daily lives. Meanwhile, in business pertaining to separation and purification technologies in new fields, Organo is actively working to expand into purification involving resist used in semiconductor manufacturing and other electronic materials, and also into pharmaceutical manufacturing. Continuous chromatography, which the company is attempting to apply to the biopharmaceutical purification process, has been proven to improve purification efficiency. Through collaboration with research institutes overseas, Organo is proceeding with the development of a total system with the aims of mass production and industrialization. Moreover, at manufacturers' plants the company is performing demonstration testing of technologies for purifying N-Methyl-2-pyrrolidone (NMP) solvents used in manufacturing rechargeable batteries. Lithium-ion batteries are increasingly found in electric vehicles (EVs) and hybrid vehicles given energy-related challenges and the need to curb greenhouse gas emissions. The company aims to perfect the technologies with the ultimate goal of commercialization.

NMP refining and recycling system

Investment in technology development with the aim of business expansion

Establishment of Global Engineering Center

We are proceeding with plans to set up a new site in the ASEAN region with the aims of expanding production capacity at water treatment plants, enhancing technological capabilities, and reducing costs. This will involve collaboration among engineers, systematically developing talent equipped for the future, and establishing a structure for flexibly addressing changes in the balance between Japan and overseas businesses and market fluctuation. These efforts will result in the construction of a technology platform for orchestrating a global response in terms of technology levels, quality, safety, services, and costs.

Construction of New Laboratory Buildings at the R&D Center

At our R&D Center in Sagamihara City, Kanagawa Prefecture, we are constructing two new laboratory buildings that will house next-generation ultrapure water systems for the electronics industry and facilities to conduct R&D into technologies for separating and purifying solvents and chemical solutions, with the aim of further strengthening the Medium-term Management Plan. Our investment in the laboratories, which will become operational in April 2022, will total ¥3 billion.

New R&D Center buildings (image)

Message From the Director in Charge of Finance

Managing Director and Executive Officer
President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.

Nobuyoshi Suda

Basic Policy on Financial Strategy

In evaluating the status of progress on sustainably enhancing corporate value and improving profitability, we position ROE and operating income ratio as key indicators. There were signs of significant improvement in profitability partially due to the concentration of sales from relatively profitable projects in the previous fiscal year. However, levels of capital investment in the market and trends involving large-scale projects have not improved sufficiently to substantially affect financial results. Under the Medium-term Management Plan, we aim to establish a structure that enables the consistent and continuous achievement of both ROE and operating income ratios of 8% or better. At the same time, we intend to expand in the electronics industry, enhance our service solutions, and create new businesses.

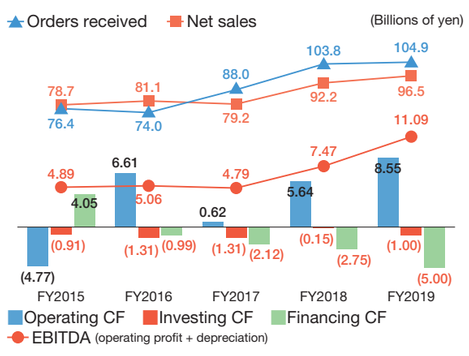
○ Performance comparison against industry and market averages

ROE	=	Profitability (Profit ratio)	×	Efficiency (Asset turnover ratio)	×	Leverage (Financial leverage)
FY2018 8.4%		FY2018 4.8%		FY2018 0.93%		FY2018 1.85
FY2019 12.4%		FY2019 7.4%		FY2019 0.95%		FY2019 1.75

- Significantly improved profitability due to concentration of sales from relatively profitable projects
- Profitability inferior to levels prior to previous fiscal year
- Efficiency and leverage within appropriate range

Take steps to improve profitability and establish a financial structure sufficient to ensure ROE of 8% or better on a stable and continuous basis

○ Cash flow and financial results



Our basic policy with respect to financing is to secure consistent sources of liquidity and funds necessary for business operations. Short-term working capital essentially consists of our own capital, short-term borrowings from financial institutions, and capital investment. Long-term working capital is obtained through long-term borrowings from financial institutions.
Our cash flows are affected by progress in construction on large contracted projects and by payment collection schedules. As larger projects generally tend to be subject to longer collection and payment terms, the cash flow may lag six months to one year behind business trends. Meanwhile, our Service Solutions business involves “water sales” whereby we provide water treatment facilities at our customers’ plants and facilities, in which case we temporarily shoulder substantial construction expenses. To this end, we will build a financial foundation that can withstand fluctuations in cash flow and ensures stable operations.

Approach to Use of Funds

We will aggressively invest in expansion in the electronics industry, enhancement of service solutions, and creation of new businesses - key business fields under the Medium-term Management Plan – while working to increase shareholder returns. In terms of investment, we plan to increase R&D expenses to approximately 2.5% of net sales, and will work toward enhancing R&D Center capabilities and developing new products and new technologies. We are determined to increase investment in systems and human resource development overseas. We will streamline engineering operations by leveraging IoT, AI, and other ICT technologies, develop new service solutions, establish the Global Engineering Center, and enhance sales structures. We also envision instances where we will provide “water sales” services that address customer needs.

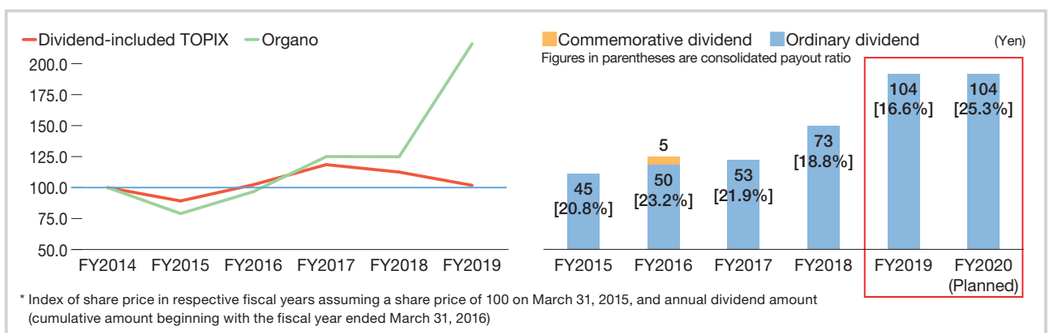
Assessment of Current Situation

In the fiscal year ended March 31, 2020, Organo achieved favorable results amid record-high sales and profits. Accordingly, the company paid unprecedented dividends of ¥104 per share. Amid such signs of improvement in its financial situation, the company will increase shareholder returns linked to growth. It will also aggressively invest in further growth by strengthening the development of new products and technologies, and expand its business foundation overseas.

Approach to Shareholder Returns

When it comes to shareholder returns, our basic dividend policy is to pay dividends commensurate with earnings, with due consideration given to anticipated business development. Meanwhile, we will allocate internal reserve funds to business and R&D investment to achieve sustainable growth.
Dividends paid by our company have increased for five consecutive fiscal years, excluding commemorative dividends, and we will continue to increase them to the extent possible going forward. We also intend to improve the dividend payout ratio based on financial performance trends.

○ Dividends and dividend payout ratios + total shareholder returns over five years



* Index of share price in respective fiscal years assuming a share price of 100 on March 31, 2015, and annual dividend amount (cumulative amount beginning with the fiscal year ended March 31, 2016)

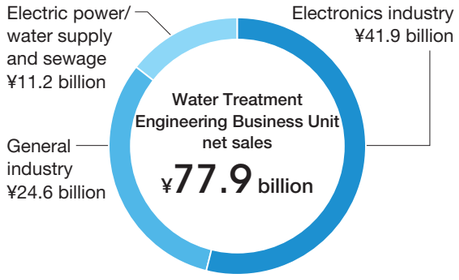
Business Overview

Organo possesses a wide variety of water treatment technologies for ultrapure water, pure water, tap water, industrial wastewater and sewage, and is developing its businesses to serve a diverse range of customers. In addition, the company has built a structure that allows it to provide comprehensive solutions by integrating all functions in-house, including product development, design, construction, sales, and post-delivery maintenance.

Water Treatment Engineering Business Unit

▶Refer to page 25

This business unit provides water treatment systems used at various manufacturing plants, power plants, and water supply and sewage facilities. It undertakes business as a comprehensive water treatment engineering company providing solutions ranging from the supply of ultrapure water – which boasts the top level of purity in the world – to water recycling and various wastewater treatment facilities that detoxify harmful wastewater.



Plant Division

Providing optimal water treatment systems with advanced technology capabilities cultivated in many industries and countries

Service Solutions Division

Providing solutions tailored to meet customer needs for facility operation, management, and improvement

Electronics industry

Semiconductors / Flat-panel displays / Electronic components

Ultrapure water is used for cleaning semiconductors, liquid crystal panels, and electronic components. In addition to purifying factory wastewater and reusing water, Organo systems can also recycle fluorine and other valuable resources.

General industry

Pharmaceuticals/ cosmetics / Foods/ beverages / Machinery/ chemicals

The company's technologies are used in supplying pure water as a raw material for products, cleaning, in purifying factory wastewater and in water recycling facilities, as well as for refining sugar and shochu.

Electric power/water supply and sewage

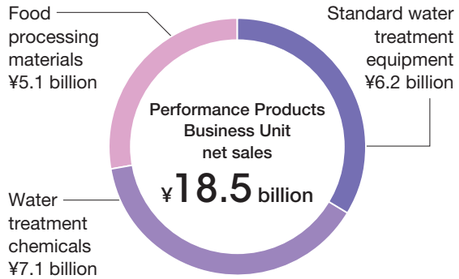
Power plants / Water purification plants / Sewage treatment plants

Organo provides water treatment facilities for water purification plants, sewage treatment plants, and power plants. The company's water treatment facilities have achieved a high market share for thermal and nuclear power plants.

Performance Products Business Unit

▶Refer to page 27

This business unit provides performance products such as standard equipment, filters, water treatment chemicals and food processing materials, to various manufacturing plants, retail facilities, and medical and research institutions. Although the business has focused primarily on Japan, the company is working to strengthen business development overseas for Taiwan, China and other regions with products such as compact pure water systems for medical institutions and water treatment chemicals for the electronics industry.



Standard water treatment equipment

Organo provides compact pure water systems used at medical and research institutions and water purification filters used at factories and in vending machines and coffee machines.

Medical/ research / Various manufacturing industries / Restaurants/ convenience stores

Water treatment chemicals

The company provides various water treatment chemicals used for cooling water treatment, boiler water treatment, and wastewater treatment at factories and commercial facilities.

Various manufacturing industries / Buildings/ commercial facilities

Food processing agents

Organo provides food additives used as raw materials for processed foods and beverages, and provides processing technologies for the raw materials used in health food products and food products for nursing care patients.

Food processing / Beverage production / Food for nursing care/ health food

Water Treatment Engineering Business Unit

Managing Director and Executive Officer
President of Industrial Plant Business
and Senior General Manager of Plant Division

Yasutoshi Nakayama

Water treatment facilities, which affect semiconductor manufacturing plant product yield rates, are complex systems that provide high-purity and mass volume and must operate stably over the long term. It is also necessary to adapt to the advances being made in manufacturing processes year by year. In addition to high quality, short lead times, and low running costs, it is essential to propose system options that give consideration to saving labor in operation and management and to saving energy. And when it comes to maintenance and other tasks subsequent to plant delivery, it is important to address issues from the customer's perspective and create shared value with society. In addition to the efficient design and manufacturing of plant systems that have already been ordered, we will continue to propose and supply systems and services required of us as a company that partners with various industries, including the growth fields of 5G, DX, and other high-value-added advanced industries, infrastructure that is indispensable in people's lives, and pharmaceutical manufacturing.

Contents of Business

Plant Division

Our company furnishes water treatment plants that are designed to order based on customer specifications. In most instances, orders are gained through competitive bidding, but the probability of winning orders and matters of profitability hinge not only on competitive pricing, but also on effective marketing activities in the early stages of planning. For instance, this includes conducting joint trials and making proposals for new technologies to solve the customer's needs and issues. In the electronics industry in particular, there are many large-scale projects involving water treatment facilities whose value is in the billions of yen. Such projects call for technologies including very high-purity ultrapure water, fluorine and other valuable resources used in manufacturing processes, water recycling technologies, wastewater detoxification and purification, and other advanced technologies. For this reason, our Medium-term Management Plan positions expansion in the electronics industry in key markets as a key business field. We are working to enhance our marketing activities particularly by promoting R&D for cutting-edge semiconductor technologies and expanding into new markets such as China, where investment continues to grow.

Service Solutions Division

After a plant has been delivered, we mainly provide service solutions that include operational support, maintenance, and periodic inspections. Marketing activities conducted through service solutions constitute an important means of winning orders for new plants, given that many customers invest in modifying and augmenting existing facilities. Moreover, the Service Solutions Division promises more stable financial results than the Plant Division, which is susceptible to trends in capital investment. In line with this, we will develop new service solutions that leverage IoT and ICT technologies and enhance our solutions structure overseas in countries such as Taiwan and China, which are achieving remarkable progress. In order to accomplish this, we will focus on the enhancement of service solutions – identified as a key business area under the Medium-term Management Plan – driven by recently mounting customer needs for reduced operating costs, reduction in labor, and remote facility management.

Financial Results for Fiscal 2019

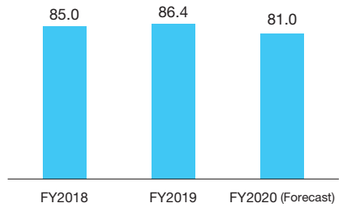
In fiscal 2019, Organo achieved record-high financial results in terms of both orders received and net sales for the second consecutive fiscal year. These results are partially attributable to strong performance in the plant sector – mainly in the electronics industry – including orders for the largest-ever semiconductor project in Japan, in addition to investment in advanced semiconductors in Taiwan. Strong performance in service solutions, including facility modification and improvement proposals and maintenance, was also a factor. Looking at profits, Organo recorded its highest earnings since fiscal 2006 due to substantial improvement in profitability brought about by cost reductions in domestic and overseas projects and by higher sales in the Service Solutions Division, which generates relatively high profit margins.

Outlook for Fiscal 2020

Although the future outlook remains very uncertain due to the COVID-19 pandemic, the electronics industry remains strong. Companies continue to actively invest in semiconductor-related operations in Taiwan and China, and production levels are high in Japan. In general industry, there are signs of restraint and postponement of capital investment in areas such as Japan and Southeast Asia, but maintenance and other aspects of the service solutions business remain strong. Meanwhile, in the public infrastructure sector encompassing electric power, water and sewage, results are likely to remain on par with those of the previous fiscal year. In fiscal 2020, the company estimates that it will achieve net sales of ¥100 billion for the first time ever due to construction progress made on projects ordered up until last year. In terms of profits, although profit margins are expected to decline largely due to the order environment, Organo will work to improve profit margins through various cost-reduction measures and making proposals to customers.

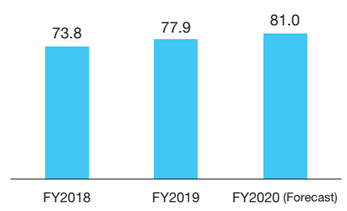
Orders

(Billions of yen)



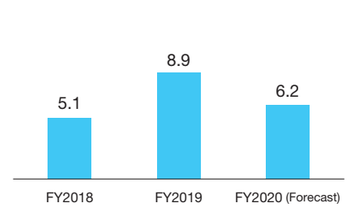
Net sales

(Billions of yen)

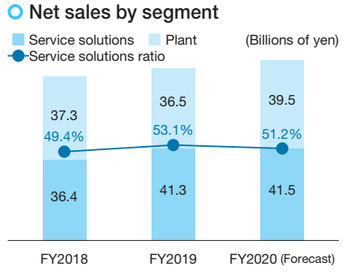


Operating income

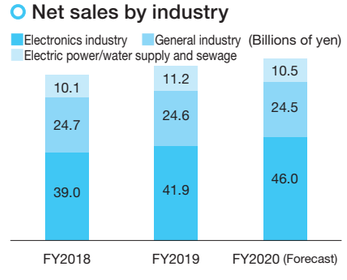
(Billions of yen)



Net sales by segment



Net sales by industry



TOPICS

Enhancing Service Solutions

The company is enhancing its existing maintenance and other service solutions in order to provide further value to its customers.
It is also moving forward with new initiatives such as the development of service options that leverage IoT technologies and establishing after-sales service networks overseas.

Maintenance

Managing maintenance using IoT

Performance Products Business Unit

Managing Director and Executive Officer
President of Performance Products Business

Hitoshi Hori

The Performance Products Business Unit primarily engages in business involving standard equipment and filters, water treatment chemicals, food processing agents, and functional materials for separation and purification in Japan and overseas. Representing the origins of Organo, standard equipment constitutes the first of its products to be manufactured in Japan and has been deployed in the fields of research and medicine. Meanwhile, our filters are recognized as material that produces water essential in making delicious beverages. We have also earned praise for our efforts in pursuing effective, efficient management of drug efficacy by linking sensors and IT with its systems. In the Food Products Business Unit, we have expanded into the field of functional food products such as those for nursing care patients by taking full advantage of preparation, mixing, and molding technologies. When it comes to functional materials, our Engineering Business Unit and Service Solutions Division supply materials capable of meeting a wide range of customer needs. Looking at performance products, the focus has long been on pursuing business in Japan, but we have recently enhanced our product lineup for overseas markets to strengthen our deployment into Taiwan, China and other overseas markets in the fields of compact water purification devices for medical institutions and water treatment chemicals for the electronics industry. In the medium to long term, we aim to increase the proportion of sales generated by the Performance Products Business Unit to around 30% from the present level of around 20%.

Contents of Business

	Standard water treatment equipment	Water treatment chemicals
Standard equipment	In the standard equipment field, we are enhancing our product lineup of compact water purification systems for medical and testing organizations, research institutions, and other such entities. Although Western manufacturers have taken the lead in this field thus far, we are leveraging our credibility as a domestic manufacturer to strengthen our efforts in markets poised for growth with the advancement of life science technologies and the development of medical equipment in emerging countries. We aim to furthermore expand such business by enhancing sales structures in China amid growing demand in that nation.  PURIC and PURELITE α Series	Looking at water treatment chemicals, we are developing new products and technologies and expanding into Taiwan, South Korea and other overseas markets, with a focus on the electronics industry, bolstered by our Engineering Business Unit. The disinfectant we developed for RO membranes used in semiconductor plants and seawater desalination facilities has been growing significantly, which has enabled us to develop a more extensive track record in Japan, China, South Korea, Vietnam and other markets. Under our Medium-term Management Plan, we will enhance our comprehensive services pertaining to our customers' water treatment facilities, which will involve the integration of sensors and IT into service solutions for water treatment plants. The assessment of our efforts in this regard were manifested in our being awarded the Energy Conservation Grand Prize for fiscal 2020.
Filters	In the field of filters, there has been substantial growth in sales of water purification filters for coffee machines located in convenience stores and other such establishments. The focus of filters used to be that of dispensers for various factories, vending machines, and restaurants, but attention has since shifted to filtration technologies to provide water that extracts flavor optimal for the purpose at hand, such as coffee, tea, and soup stock used in food preparation.  Organo Filters D-4D	**Food processing agents** In the field of food processing agents, we are promoting high functionality in granulation technologies to convert powders into granules for use in food products for nursing care patients and health foods. The granulation process makes it easier to dissolve materials in liquid without forming lumps, thereby making it easier to thicken food products, making food products easier to swallow, and preventing the threat of incidents such as aspiration.

Financial Results for Fiscal 2019

In fiscal 2019, sales increased slightly due to strong sales of standard equipment and water treatment chemicals overseas, despite a downturn in plant operating rates associated with eliminations and the consolidation of factories and lower exports by some customers.

Outlook for Fiscal 2020

In fiscal 2020, sales at the outset of the fiscal year, particularly for automotive applications, restaurants, and medical institutions, were substantially affected by the COVID-19 pandemic. However, financial results are likely to end up on par with initial forecasts driven by a recovery in sales largely due to robust sales of Orplus, a slightly acidic electrolyzed functional water for sterilization and deodorization, combined with firm results from water treatment chemicals for the electronics industry.

Food processing agents

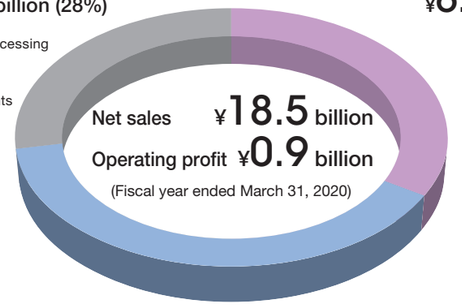
¥5.1 billion (28%)

- Food processing agents
- Food ingredients

Standard water treatment equipment

¥6.2 billion (34%)

- Pure water production systems
- Ultrapure water production systems
- Filters
- Multi-functional water production systems



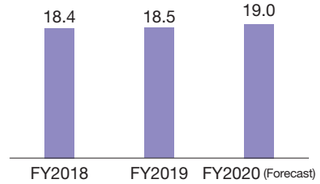
Water treatment chemicals

¥7.1 billion (38%)

- RO water, wastewater, cooling water, boiler water treatment, and cleaning chemicals

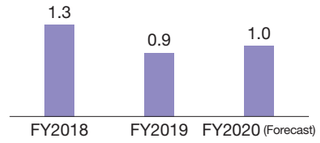
Net sales

(Billions of yen)



Operating income

(Billions of yen)



TOPICS

Overseas Expansion Involving Water Treatment Chemicals

We are working to increase our sales of water treatment chemicals that facilitate more efficient operations at our customers' factories mainly in East Asia, which is poised for growth.
In fiscal 2021, we aim to achieve ¥1.6 billion in net sales overseas. We will enhance sales activities in China, Taiwan, and Southeast Asia particularly for chemicals for RO membrane treatment systems used for seawater desalination and wastewater recovery.